

Adverse Selection Meeting Summary

February 2, 2012

General Updates

- Exchange staff announced a slight change in workgroup composition. Dr. Jeanne Abraham from the University of Minnesota has withdrawn from the workgroup due to some new responsibilities she has assumed at the University.
- HHS released a Request for Information on January 30 related to reinsurance. It is a detailed list of questions targeted to entities within a State that may be eligible to serve as a reinsurance entity for ACA purposes.

Updates from the Exchange Task Force

- April Todd-Malmlov reviewed Exchange Task Force recommendations related to Adverse Selection with workgroup members.
- Workgroup members briefly discussed the recommendation related to the option of merging the individual and small group markets. In the absence of a strong recommendation from the Adverse Selection Workgroup to merge markets, the Task Force agreed that markets should be “closely and regularly monitored” for “adverse selection, the stability of risk pools and risk sharing, and premium variability”. A Workgroup member suggested the Workgroup provide definition around how policy makers can track these issues and what type of data sources would be necessary to do so.

Plan Certification and Risk Adjustment Subgroup Formation

- Workgroup members reviewed two subgroups that will support the work of the Adverse Selection workgroup.
 - The Plan Certification subgroup will take up issues related to what requirements QHPs will need to meet and the process by which QHPs will be reviewed and certified. Carriers indicated that certification standards need to be finalized by the fall of 2012 to facilitate product development and address contracting implications for QHPs to be offered during October 2013 open enrollment. Workgroup members noted it would be helpful to have carrier marketing experts participate in this subgroup as well as other stakeholders.
 - The Risk Adjustment subgroup will discuss risk adjustment methodology options, claim data validation standards, and related issues.
 - Both subgroups will report back to the Adverse Selection Workgroup. Volunteers are needed for both subgroups and will be recruited both from Adverse Selection Workgroup members and outside the Workgroup. Exchange staff (Katie Burns) will follow up on member recruitment via email.

Self-Insured Employers and Stop-loss Policies

- Workgroup members heard a brief overview of current provisions in state law related to stop-loss policies intended to encourage employers to stay in the fully insured market and had a brief introductory conversation about this topic.
 - The state's primary lever to discourage small employers from self-insuring is the set of state requirements on stop-loss policies. Employers who do self-insure have strong incentives to purchase stop-loss policies to protect themselves against unanticipated risk. Minnesota does not (and cannot) require self-insuring employers to purchase stop-loss insurance, but does regulate what criteria stop-loss insurance products have to meet.
 - Stop-loss policies for small employers are designed to ensure employers are responsible for a substantial portion of costs before stop-loss coverage begins. Under current law, the attachment point for an individual's claims is \$20,000, which means that employers have to pay the first \$20,000 of costs before stop-loss coverage can begin. The Commissioner of Commerce has authority to increase that attachment point based on changes in the medical component of the Consumer Price Index. Minnesota is one of eight states with this type of consumer protection.
 - Stop-loss policies are required to cover an extended period of claims run out, which makes them more expensive than policies that cover only an incurred period of service.
 - The stop-loss provisions are tied to the small group market; if the maximum size of the small group market is increased from 50 to 100, the stop-loss provisions will apply to the entire scope of the small group market.
- Workgroup members noted the potential impact these provisions may have on grandfathered plans. Workgroup members also observed these regulations make sense in the context of the current rating environment and may need to be adjusted given the rating environment will change significantly beginning in 2014. Workgroup members also recommended that a member representing small employers, a third party administrator, or a stop-loss insurer be added to the workgroup.
- Future conversation on this topic will need to explore what else Minnesota policymakers can do to prevent large-scale movement toward self-insurance and what issues need to be raised to the federal government. This will be a topic of more detailed conversation at the next Adverse Selection Workgroup meeting. Exchange staff will distribute information about existing provisions of state law to help Workgroup members prepare for that discussion.

Risk Adjustment

- Exchange staff outlined what resources were requested in the Exchange December planning grant application to support risk adjustment. Requested resources include the following:
 - Funds for a health services research contractor to develop and test various iterations of a risk adjustment methodology for the individual and small group markets beginning in 2014. Methodological options will be tested using an external commercial market

database. The risk adjustment contractor will present issues and findings to the Risk Adjustment Workgroup.

- Exchange staff noted that Minnesota will need to submit a proposed methodology for federal review and certification in November 2012. Workgroup members raised several high-level suggestions about how to build a Minnesota-specific risk adjustment methodology:
 - Workgroup members inquired whether it is acceptable to use data about lifestyle choices as part of the risk adjustment methodology. Exchange staff clarified the risk adjustment methodology must use claims data, but that proposed regulations do not prohibit the use of other potential data sources to combine with claims data as part of the methodology. Utah currently uses a self-administered health assessment/risk survey for new enrollees. Other members observed use of such data may raise privacy concerns.
 - Workgroup members also discussed that using the federal risk adjustment methodology as a starting point and modifying some components of it is an alternative to building a new methodology from the ground up. Other members observed that one of the primary reasons to create a Minnesota-specific methodology is to be able to use a prospective method to better align incentives for effective care coordination. Building off of a federal methodology, which will be a concurrent methodology at least initially, would not allow Minnesota to achieve that goal.
 - Members also noted timing and order of various components of risk sharing and other provisions will be important to consider. In particular, the risk adjustment methodology will need to be aligned with medical loss ratio rules and reinsurance provisions.

Next Steps

- Exchange staff will send a follow up email to Adverse Selection Workgroup members soliciting subgroup volunteers and will also conduct other recruitment as needed. The Plan Certification and Risk Adjustment subgroups will be convened this spring.
- The Adverse Selection Workgroup will meet again toward the end of February and focus on two issues at its next meeting: 1) a more detailed discussion of stop-loss provisions designed to mitigate the extent to which employers self-insure; and 2) reinsurance issues.
- The Adverse Selection Workgroup will discuss the following issues at future meetings: 1) participation rules and options for consumers and employers/employees inside the Exchange; and 2) options to encourage market competition and value. Members are encouraged to suggest more specific ideas or questions for exploration related to these broad topics.